

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 IO-10 AGR-05 AID-05 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 H-02 L-03

AF-06 ARA-06 EA-06 /093 W

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R 301748Z JUN 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 2473

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PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR

SUBJECT: INFO ON UK SUGAR INDUSTRY FOR CONGRESSIONAL
HEARINGS.

REF: STATE 141876

1. UK OFFICIALS AND INDUSTRY UNWILLING TO YIELD ANY
INFORMATION OF SIGNIFICANCE ON COST STRUCTURE OF
INDUSTRY. USING PRICES PAID BEET GROWERS FOR 1974 CROP
AND OTHER BITS OF INFO, WE BELIEVE THE CURRENT EX-MILL
COST OF PRODUCTION IN THE UK IS IN THE RANGE OF 12 TO
15 CENTS PER POUND. UK IS THOUGHT TO HAVE SLIGHTLY
HIGHER COST STRUCTURE THAN EC AS A WHOLE DUE TO SOME
BUILT-IN INEFFICIENCIES. THE BRITISH SUGAR CORPORATION
(BSC) PROCESSES ALL OF THE LOCAL BEET CROP. THE
PRIVATE FIRM - TATE & LYLE COMPANY, LTD. - PROCESSES
90 PERCENT OF RAW CANE IMPORTS. THE BSC'S EX-FACTORY
PRICE FOR REFINED SUGAR IS BY VIRTUE OF AGREEMENT
EQUATED TO TATE & LYLE'S PRICES, WHICH ARE SUPPOSEDLY
BASED ON THE WORLD MARKET PRICE PLUS DUTY AND AGREED
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REFINING MARGIN.

2. RETAIL PRICE FOR SUGAR IN UK SET BY GOVERNMENT.
CURRENTLY, A 2-POUND BAG SELLS AT RETAIL LEVEL FOR 28
TO 30 PENCE -- 32.4 TO 34.5 US CENTS -- PER POUND.
PROVISIONS FOR A 9-CENT REDUCTION PER POUND HAS BEEN
ANNOUNCED BY GOVERNMENT. THE DATE THIS DECREASE IS TO
BECOME EFFECTIVE HAS NOT YET BEEN ANNOUNCED.

3. UK CANE AND BEET SUGAR EXPORTS 1974:

RAW SUGAR 1,681 TONS FOR VALUE OF \$349,600
REFINED SUGAR 295,818 TONS FOR VALUE OF \$118,689,200

4. PROJECTED UK RAW SUGAR PRODUCTION:

	'000 METRIC TONS
1975/76	1,075
1976/77	1,125
1977/78	1,210
1978/79	1,290
1979/80	1,380

NO SIGNIFICANT EXPORTS ARE PROJECTED FOR 1980.

5. THE BSC HAS 17 FACTORIES WITH A CAPACITY OF 1.1
MILLION TONS. THEY ANNOUNCED JUNE 27 THAT WORK HAS
BEGUN ON A FIVE YEAR EXPANSION PROGRAM TO COST BETWEEN
75 MILLION AND 100 MILLION POUNDS STERLING AT TODAY'S
PRICES. SOME 15 MILLION POUNDS (\$34.5 MILLION) IS TO BE
SPENT DURING 1975-76. NO NEW FACILITIES ARE TO BE
BUILT BUT INSTEAD MAJOR EXPANSION IN PROCESSING
FACILITIES ARE TO BE UNDERTAKEN AT 5 FACTORIES WITH
MODERNIZATION AND REPLACEMENT OF EQUIPMENT AT ALL
FACTORIES. THIS WOULD EXPAND THE TOTAL BEET
PROCESSING CAPACITY BY 300,000 TONS BY 1980 -- BRINGING
THE TOTAL TO 1.4 MILLION TONS. FUNDS FOR THESE
IMPROVEMENTS REPORTEDLY WILL COME FROM DEPRECIATION AND
RETAINED PROFITS. TATE & LYLE CO. AND ANOTHER PRIVATE
FIRM HAVE FACILITIES FOR PROCESSING 2,250,000 TONS OF
RAW CANE SUGAR ANNUALLY. WE WERE TOLD THAT NO EXPANSION
IS NOW PLANNED BY EITHER FIRM. IT SHOULD BE NOTED THAT,
WITH THE RECORD 1971 BEET CROP, CANE REFINING FACILITIES
OWNED BY TATE & LYLE WERE USED TO PROCESS 300,000 TONS
OF RAW BEET SUGAR. IF NEED BE, THESE FACILITIES
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SUPPOSEDLY COULD BE USED IN THE FUTURE TO PROVIDE
RELIEF FOR THE BSC'S FACILITIES SHOULD THEY BECOME OVER
TAXED.

6. UK SUGAR CONSUMPTION PLACED AT 2,650,000 TONS FOR
1975. NO SIGNIFICANT CHANGE IS EXPECTED IN LEVEL OF
PER CAPITA CONSUMPTION BY 1980 -- NOW AT 103.7 POUNDS
ANNUALLY. TOTAL UK REQUIREMENTS WILL INCREASE AT ABOUT

SAME PACE AS ANNUAL POPULATION GROWTH
RATE OF 2 PERCENT.

7. UK HAS NO LONG-TERM EXPORT COMMITMENTS -- MUST NOW
IMPORT TWO-THIRDS OF TOTAL SUGAR REQUIREMENTS.

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CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00

XMB-02 OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01

AF-06 ARA-06 EA-06 /093 W
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8. THE GOVERNMENT ESTABLISHES ANNUALLY THE TOTAL AREA
TO BE PLANTED WITH SUGAR BEETS TO COMPLY WITH BASIC
QUOTAS SET BY EC REGULATIONS. THE "A" OR BASIC UK
QUOTA FOR THE 1975-76 CROP BEING 1,040,000 TONS.
CURRENT ESTIMATES ARE THAT TOTAL PRODUCTION WILL
SLIGHTLY EXCEED THIS SUM. THE BSC, ALTHOUGH A PRIVATE
CORPORATION, IS REQUIRED TO PURCHASE THE TOTAL BEET
HARVEST AT PRICES DETERMINED BY THE GOVERNMENT. THE
BSC IS ENTITLED TO PAYMENT WHEN ITS PRODUCTION COSTS
ARE KEPT BELOW CERTAIN PRE-DETERMINED OPERATING
STANDARDS. ANY LOSSES BY THE BSC AND ANY INCENTIVE
PAYMENTS DUE ARE MET BY THE UK SUGAR BOARD FROM FUNDS
PROVIDED BY A SURCHARGE ON ALL SUGAR SOLD IN THE UK.
IF IN ANY YEAR THE BSC WERE TO MAKE AN EXCESS TRADING

PROFIT THE SURPLUS IS HANDED OVER TO THE SUGAR BOARD.
THE SUGAR BOARD IS TOTALLY RESPONSIBLE FOR ALL RAW AND
REFINED SUGAR IMPORTS. THESE IMPORTS ARE IN TURN
RESOLD TO THE PRIVATE TRADE. THE SUGAR PACT OF EARLY
FEBRUARY IN BRUSSELS BETWEEN THE EC AND AFRICAN,
CARIBBEAN AND PACIFIC COUNTRIES (ACP) FOR 1,200,000
TONS A YEAR FOR THE NEXT FIVE YEARS SUPPOSEDLY WILL
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MEET MUCH OF THE UK'S SUGAR IMPORT NEEDS DURING THIS
PERIOD.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SUGAR, TRADE LAW, US CONGRESSIONAL HEARINGS, LEGISLATIVE BILLS
Control Number: n/a
Copy: SINGLE
Draft Date: 30 JUN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975LONDON10059
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750226-0661
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t1975064/aaaaaczu.tel
Line Count: 186
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 STATE 141876
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 22 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22 APR 2003 by ShawDG>; APPROVED <23 APR 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: INFO ON UK SUGAR INDUSTRY FOR CONGRESSIONAL HEARINGS.
TAGS: EAGR, UK
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006